

Message Text

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EXDIS MILITARY ADDRESSEES HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: GDS

TAGS:PEPR, TU, US

SUBJECT: US RESPONSE TO TURKISH PAPER PRESENTED AUGUST 15

1. COUNSELOR NIMETZ MET WITH TURKISH MFA SEC GEN ELEKDAG
MORNING OF AUGUST 18 TO RESPOND TO PAPER ELEKDAG HAD PRESEN-
TED DEPUTY SECRETARY CHRISTOPHER AUGUST 15 (REFTEL). ON US
SIDE WERE EUR/SE ACTING DIRECTOR DILLERY AND TURKISH DESK
OFFICER FLANIGAN.

2. NIMETZ BEGAN THE MEETING BY MAKING THE FOLLOWING POINTS:

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-- THE UNITED STATES CONTINUES TO TAKE A STRONG AND SYMPA-
THETIC INTEREST IN TURKISH DEMOCRACY AND TURKISH EFFORTS TO
RESOLVE ITS ECONOMIC PROBLEMS.

-- BECAUSE OF THIS WE HAVE MADE EVERY EFFORT TO BE AS FORTH-
COMING AS POSSIBLE, BUT THE ULTIMATE RESPONSIBILITY FOR
RESOLVING TURKEY'S ECONOMIC PROBLEMS MUST REST WITH TURKEY.

-- WE HAVE TAKEN THE FOLLOWING ACTIONS:

(A) PERSUADED THE CONGRESS AT GREAT EFFORT AND WITH STRONG PRESIDENTIAL INVOLVEMENT TO LIFT THE EMBARGO. THIS WILL FREE APPROXIMATELY DOLS 70 MILLION WORTH OF DEFENSE EQUIPMENT NOW IN THE PIPELINE.

(B) SECURED CONGRESSIONAL AGREEMENT TO PROVIDE DOLS 50 MILLION IN SECURITY SUPPORTING ASSISTANCE FOR FY-79. THIS MONEY, WHICH WILL BE AVAILABLE IN OCTOBER 1978, IS A DIRECT RESPONSE TO OUR DESIRE TO BE HELPFUL TO TURKEY AS IT DEALS WITH ITS DIFFICULT ECONOMIC PROBLEMS.

(C) SECURED DOLS 175 MILLION FMS CREDITS FOR FY-79.

(D) EXPRESSED TO SENIOR IMF OFFICIALS OUR INTEREST IN A RESOLUTION OF THE OUTSTANDING ISSUES BETWEEN TURKEY AND THE IMF.

(E) DISCUSSED WITH PRIVATE U.S. BANKS PROBLEMS ASSOCIATED WITH THE SLOW PACE OF RE-SCHEDULING AND PROSPECTS FOR NEW CREDITS.

(F) SUPPORTED CONSORTIUM RESCHEDULING ARRANGEMENTS AND AGREED TO RESCHEDULING OF TURKEY'S OFFICIAL DEBTS TO THE CONFIDENTIAL

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U.S.

(G) INVITED A TURKISH MILITARY TEAM TO DISCUSS THE PURCHASE AT NOMINAL COST OF SURPLUS MILITARY EQUIPMENT AND THE AVAILABILITY FOR PURCHASE OF OTHER U.S. MILITARY EQUIPMENT.

(H) AGREED TO SEND A TEAM OF DEFENSE-INDUSTRIAL EXPERTS TO TURKEY TO EXPLORE POSSIBILITIES FOR CO-PRODUCTION OF DEFENSE EQUIPMENT.

(I) ASKED OUR NATO ALLIES TO ASCERTAIN WHETHER THEY HAVE SURPLUS U.S. ORIGIN OR LICENSED EQUIPMENT FOR TRANSFER TO TURKEY.

-- IT IS CLEAR FROM THIS LIST THAT THE U.S. VIEWS ITS RELATIONSHIP WITH TURKEY TO MUCH BROADER THAN SIMPLY A SECURITY RELATIONSHIP. WE WILL CONTINUE TO SEEK WAYS TO EXPAND THAT RELATIONSHIP; WE WILL CONSIDER THE POSSIBILITY OF SOME INCREASES IN FUTURE U.S. ASSISTANCE LEVELS OVER FY-79 LEVELS IN THE ATMOSPHERE OF IMPROVED RELATIONS AND PROGRESS IN RESOLVING OUTSTANDING ISSUES, BUT ONE MUST BE REALISTIC IN ONE'S EXPECTATIONS.

-- THE SECURITY ASPECTS OF THE RELATIONSHIP ARE IMPORTANT AND CANNOT BE IGNORED. THE DEFENSE INSTALLATIONS WHICH WERE CLOSED IN 1975 ARE IMPORTANT TO THE ADMINISTRATION, MILITARILY AND POLITICALLY, AND TO MANY CONGRESSMEN AND

SENATORS WHO VOTED FOR THE LIFTING OF THE EMBARGO. IN THAT REGARD, WE WELCOME PRIME MINISTER ECEVIT'S PUBLIC STATEMENTS RE-AFFIRMING HIS COMMITMENT TO REACTIVATE THE INSTALLATIONS.

-- THE BUDGET PROCESS FOR FY-80 BEGINS IN OCTOBER AND PRESENTATION MUST BE MADE TO CONGRESS EARLY IN 1979. SHOULD THERE BE NO PROGRESS ON OUTSTANDING ISSUES, INCLUDE-
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ING THE DEFENSE INSTALLATIONS, WE CAN EXPECT SIGNIFICANT RESISTANCE TO ASSISTANCE PROGRAMS FOR TURKEY. WE MUST WORK TOGETHER TO AVOID THIS.

-- AS SUGGESTED IN YOUR PAPER, IT WOULD PERHAPS BE BEST IF THERE BE NO PUBLIC STATEMENT AT THE CONCLUSION OF YOUR VISIT. WE NOTE IN YOUR DRAFT THAT THE SEPTEMBER 11 DATE FOR THE OPENING OF NEGOTIATIONS OF AN AGREEMENT ON THE REACTIVATION OF THE INSTALLATIONS WAS OMITTED. WE REGRET THE APPARENT CHANGE IN ATTITUDE ON THESE NEGOTIATIONS, BUT WE LOOK FORWARD TO SETTING A DATE FOR COMMENCING THESE NEGOTIATIONS. THIS WILL PERMIT US TO SET DATES FOR RECEIVING A TURKISH TEAM TO DISCUSS THE SUPPLY RELATIONSHIP AND FOR SENDING A TEAM TO EXPLORE POSSIBILITIES FOR CO-PRODUCTION. IT WILL ALSO PERMIT US TO CONSIDER A MUTUALLY SATISFACTORY SCHEDULE FOR SHIPPING TO TURKEY THE MILITARY EQUIPMENT THAT WILL BE AVAILABLE AFTER THE LIFTING OF THE EMBARGO.

-- IN RESPONDING TO QUESTIONS FROM JOURNALISTS, WE SHOULD CONTINUE TO SAY THAT OUR DISCUSSIONS INCLUDED EVERY ASPECT OF OUR RELATIONSHIP. IF ASKED ABOUT THE OPENING OF THE INSTALLATIONS, WE SHALL SAY THAT WE ARE PLEASED BY PRIME MINISTER ECEVIT'S PUBLIC STATEMENTS, WE ARE CONFIDENT THAT THE INSTALLATIONS WILL BE OPENED SOON, AND WE EXPECT NEGOTIATION ON THE BASIS FOR REACTIVATION TO BEGIN AS SOON AS THE EMBARGO IS FORMALLY LIFTED.

3. NIMETZ CONCLUDED HIS PRESENTATION BY SAYING THAT THE US HAD DONE FURTHER THINKING ABOUT AN AGREEMENT ON THE OPENING OF THE DEFENSE INSTALLATIONS AND HAD PREPARED A DRAFT WHICH HE WOULD LIKE FOR ELEKDAG TO TAKE BACK TO ANKARA AND REVIEW. TEXT OF DRAFT AGREEMENT WILL BE SENT
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SEPTTEL.

4. ELEKDAG RESPONDED BY SAYING THAT THE TURKISH PUBLIC HAD BEEN DISILLUSIONED BY THE CONFERENCE COMMITTEE LANGUAGE

ON THE LIFTING OF THE EMBARGO. THE PUBLIC HAD EXPECTED OUTRIGHT REPEAL. THIS DISILLUSION WAS COMPOUNDED BY OPPOSITION CRITICISM, AND IT WILL CONTINUE TO CLOUD US-TURKISH RELATIONS UNTIL PRESIDENT CARTER MAKES THE CERTIFICATION REQUIRED BY THE LEGISLATION.

5. THE OPPOSITION CLAIMS THE ECEVIT GOVERNMENT HAS SETTLED FOR LESS THAN TURKEY WOULD HAVE RECEIVED UNDER THE TERMS OF THE 1976 DCA. ECEVIT IS ON RECORD AS HAVING SAID PUBLICLY DURING SECRETARY VANCE'S VISIT THAT THE AMOUNTS OF ASSISTANCE CALLED FOR IN THE DCA WERE NO LONGER ADEQUATE AND SHOULD BE SUPPLEMENTED. THE OPPOSITION SAYS THAT THE GOVERNMENT HAS RECEIVED NO TANGIBLE ASSURANCE AND THE FUTURE DOES NOT LOOK HOPEFUL.

6. ELEKDAG SAID WHEN HE HAD PRESENTED THE PAPER THREE DAYS AGO THE GOT FACED TWO PROBLEMS: THE NEED THAT ANY STATEMENT MADE UPON THE CONCLUSION OF ELEKDAG'S VISIT BE BALANCED IN ITS TREATMENT OF MILITARY AND ECONOMIC CO-OPERATION, AND THE NEED THAT ELEKDAG'S VISIT PRODUCE SOME TANGIBLE RESULT. ELEKDAG SAID AS LONG AS THE US IS NOT PREPARED TO MAKE A PUBLIC STATEMENT OR GIVE SPECIFIC ASSURANCES ON THE ECONOMIC SIDE HE AGREED IT WOULD BE BETTER NOT TO ISSUE A PUBLIC STATEMENT.

7. ELEKDAG SAID THE GOT APPRECIATED EFFORTS THE US GOVERNMENT HAD MADE WITH THE IMF, BUT THESE EFFORTS HAD NOT BEEN SUCCESSFUL IN HELPING TURKEY OVERCOME THE "THEOLOGICAL RIGIDITY AND INTOLERANCE" OF THE IMF. THE GOT ALSO APPRECIATED US EFFORTS WITH THE COMMERCIAL BANKS. HOWEVER, IT NOW APPEARS THE BANKS WILL PROVIDE NEW CREDITS ONLY AFTER RESCHEDULING, I.E. NOT UNTIL OCTOBER OR NOVEMBER.
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THIS WILL PUT TURKEY IN A VERY DIFFICULT POSITION; INDUSTRIAL PRODUCTION WILL COME TO A STANDSTILL AND THERE WILL BE DISASTROUS CONSEQUENCES.

8. THE GOT FINDS ITSELF IN A VICIOUS CYCLE. THE IMF CLAIMS TURKEY HAS NOT MET PERFORMANCE CRITERIA AND WANTS TO HOLD UP THE NEXT DRAWING, AN ACTION WHICH WOULD CONTRIBUTE TO FURTHER DETERIORATION IN THE TURKISH ECONOMY. TO BREAK THE CYCLE ELEKDAG SAID THE GOT IS SEEKING A BRIDGE LOAN FROM COMMERCIAL BANKS - SOMETHING THEY HAD BEEN PREPARED TO GIVE AT ONE TIME BUT NO LONGER ARE.

9. ELEKDAG COMPLAINED THAT HIS VISIT TO WASHINGTON HAD PRODUCED NO TANGIBLE RESULTS. NO PROGRESS HAD BEEN MADE WITH THE FUND OR THE BANKS. NO ONE HAD EVEN MENTIONED THE EXPORT-IMPORT CREDITS TO BE PROVIDED TO TURKEY. THE US HAD SUGGESTED THAT THE MINISTER OF FINANCE COME TO THE US, AND HE HAD DONE SO, BUT HIS MEETINGS WITH FUND OFFICIALS

HAD LIKEWISE PRODUCED NO FORWARD MOVEMENT. THE RETURN OF THE MINISTER OF FINANCE TO ANKARA EMPTY-HANDED WOULD CREATE A FEELING OF DECEPTION IN TURKEY (ELEKDAG LATER MADE CLEAR TO DEPTOFF THE GOT HAD INFERRED FROM THE US

SUGGESTION THE MINISTER OF FINANCE COME TO WASHINGTON, THAT THE US GOVERNMENT WOULD INSURE A SUCCESSFUL VISIT).

10. CONCERNING THE QUESTION OF THE DATE FOR THE BEGINNING OF THE NEGOTIATIONS FOR AN AGREEMENT OF THE OPENING OF THE INSTALLATIONS ELEKDAG SAID THAT HE DID NOT SEE THAT THERE WAS ANY PARTICULAR PROBLEM. THE GOT WAS PREPARED TO BEGIN NEGOTIATIONS IMMEDIATELY AFTER THE PRESIDENT HAD MADE THE CERTIFICATION REQUIRED BY THE LEGISLATION LIFTING THE EMBARGO. THE DATE HAD BEEN DELETED FROM THE PROPOSED CONFIDENTIAL

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PUBLIC STATEMENT SIMPLY BECAUSE THE TIMING OF THE CERTIFICATION WAS NOT CERTAIN.

11. NIMETZ SAID HE BELIEVED THE GOT COULD RESPOND TO THE OPPOSITION CRITICISM ELEKDAG HAD MENTIONED BY POINTING OUT THAT THE PREVIOUS GOVERNMENT HAD NOT IN FACT DONE BETTER THAN THE PRESENT GOVERNMENT, FOR THE AGREEMENT THEY HAD NEGOTIATED HAD NEVER COME INTO EFFECT. MOREOVER THE DOLS 50 MILLION IN SECURITY SUPPORTING ASSISTANCE BEING PROVIDED IN FY-79 WAS DIRECTLY ATTRIBUTABLE TO PRIME MINISTER ECEVIT'S EFFORTS. THUS, NIMETZ SAID, HE BELIEVED THE ECEVIT GOVERNMENT COULD FAIRLY ARGUE THAT IT HAD BEEN QUITE SUCCESSFUL.

12. IN THAT REGARD NIMETZ NOTED THAT THE BUDGET CYCLE FOR FY-80 WOULD BEGIN VERY SOON AND THAT THE ADMINISTRATION WOULD HAVE TO COME UP WITH ITS ASSISTANCE PROPOSALS BEFORE THE END OF THE YEAR. PROGRESS ON SEVERAL ISSUES THAT ARE IMPORTANT TO US WOULD ALLOW US TO MAKE OUR ASSISTANCE PROPOSALS LARGE ENOUGH FOR ECEVIT TO SAY THAT HE HAD DONE BETTER THAN THE PREVIOUS GOVERNMENT.

13. REGARDING ELEKDAG'S MENTION OF EXIM CREDITS, NIMETZ SAID THE US PROMISE TO PROVIDE EXIM CREDITS HAD NOT BEEN UNCONDITIONAL. MOREOVER THE EXIM BANK IS REQUIRED BY LAW TO FOLLOW PRUDENT BANKING PRACTICES WHICH WOULD NOT PERMIT IT TO MAKE NEW CREDITS AVAILABLE TO TURKEY AT THIS TIME.

14. ELEKDAG SAID THAT BEFORE HE DEPARTED FOR ANKARA HE FELT THAT HE MUST SAY AGAIN THAT TURKEY IS FACING A SEVERE CRISIS WHICH HAS FORCED IT TO TURN TO ITS FRIENDS. HE SAID IT WAS UNFORTUNATE THE US HAD NOT BEEN ABLE TO ASSIST IN SOME TANGIBLE WAYS. NIMETZ RESPONDED THAT IT WILL TAKE TURKEY SEVERAL YEARS TO OVERCOME ITS ECONOMIC PROBLEMS AND DURING THOSE YEARS IT WILL NEED THE UNDERSTANDING AND

ASSISTANCE OF THE US AND ITS EUROPEAN ALLIES. IT WOULD
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NOT BE HELPFUL IN CREATING AN ATMOSPHERE OF TRUST IF TURKEY
INSISTS ON TESTING US PERFORMANCE ON A SPECIFIC DAY OR

ISSUE AS ELEKDAG HAD JUST DONE. HE SAID THAT NOW THAT
THE EMBARGO IS BEING LIFTED IT SEEMED THAT THE US-TURKISH
RELATIONSHIP WHICH SHOULD BE DEVELOPING IN A POSITIVE WAY
WAS IN FACT ENTERING INTO A DEEPER CRISIS.

15. NIMETZ SAID THE US WANTS TO BE MORE FORTHCOMING BUT
FOR IT TO BE ABLE TO DO SO IT NEEDS TURKISH HELP ON
ISSUES POLITICALLY IMPORTANT TO THE US. THE ADMINISTRATION
- AND SPECIFICALLY THE PRESIDENT - HAD GONE OUT ON THE
LIMB TO GET THE EMBARGO LIFTED. IN DOING SO THEY HAD
FORECAST BETTER RELATIONS WITH TURKEY, A STRONGER NATO AND
A MORE FLEXIBLE TURKEY. WITHOUT TURKISH COOPERATION ON
OUR BILATERAL PROBLEMS AND PROGRESS ON THE CYPRUS ISSUE IT
WOULD BE VERY DIFFICULT FOR THE ADMINISTRATION TO SEEK
NEW ASSISTANCE FOR TURKEY. BECAUSE THE BUDGET CYCLE IS
ABOUT TO BEGIN THERE IS VERY LITTLE TIME FOR TURKEY TO
DEMONSTRATE ITS DESIRE TO HELP.

16. ELEKDAG SAID HE NEEDED TO MAKE ONE MORE POINT BEFORE
HE LEFT. HE AGREED THAT ULTIMATELY TURKEY HAD TO RESOLVE
ITS OWN ECONOMIC PROBLEMS, AND IN FACT IT HAD TAKEN COUR-
AGEOUS STEPS TO DO SO. THE US ARMS EMBARGO HAD, HOWEVER,
CONTRIBUTED TO THE TURKISH DIFFICULTIES AND IT WAS FOR
THIS REASON THAT THE GOT THOUGHT IT WOULD BE APPROPRIATE
TO ASK THE US FOR ASSISTANCE AT THIS TIME. ESENBEL INTER-
RUPTED TO EMPHASIZE THE URGENCY OF THE SITUATION AND TO ASK
IF THERE WERE NOT SOME WAY FOR THE US TO PROVIDE SOME
FURTHER ASSISTANCE IMMEDIATELY FROM SOME KIND OF DISCRE-
TIONARY FUNDS. NIMETZ EXPLAINED THAT NO SUCH FUND EXISTS.

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17. NIMETZ CONCLUDED THE MEETING BY SAYING THAT HE
THOUGHT THE CONVERSATION HAD INCREASED OUR MUTUAL UNDER-
STANDING. HE SAID HE BELIEVED THE TWO SIDES NEEDED TO
WORK TOGETHER VERY CLOSELY OVER THE NEXT FEW MONTHS, BE-
CAUSE IF RELATIONS SHOULD DETERIORATE AND AN IMPASSE
DEVELOP ONLY A MONTH OR TWO AFTER THE LIFTING OF THE EM-
BARGO, IT WOULD HELP NEITHER SIDE.

18. BEFORE LEAVING ELEKDAG AGREED THAT HE WOULD STUDY
THE NEW DRAFT INSTALLATIONS AGREEMENT PROPOSAL BUT EXPRESS-
ED SOME SKEPTICISM ABOUT ITS EXCHANGE OF NOTES FORMAT. HE
ALSO SAID THE NEGOTIATION OF A CHPEAU AGREEMENT WHICH WOULD

ALLOW THE OPENING OF THE INSTALLATIONS WOULD NEED TO BE
DONE IN CONJUNCTION WITH NEGOTIATION OF DETAILED AGREE-
MENTS INCLUDING ONE ON ASSISTANCE LEVELS. CHRISTOPHER

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